

PERMANENT FUNDS

MICHIGAN NATURAL RESOURCES TRUST FUND

Article 9, Section 35, of the State Constitution created the Michigan Natural Resources Trust Fund. The fund, established in 1985, operates under Sections 324.1901 - 324.1910 of the Michigan Compiled Laws. Most "royalty revenues" (i.e. rentals, royalties, and other revenues derived from mineral, coal, oil, and gas interests on State-owned lands) are credited to the fund. A portion (50%, up to \$10 million per year) of these revenues are transferred to the Michigan State Parks Endowment Fund (MSPEF). The State Treasurer directs the investments of the fund, which include fixed income and equity investments.

The interest and investment earnings and one-third of royalty revenues are available for appropriation. Appropriations are used to fund grants to local units of government as well as State agencies to acquire land or develop public recreation facilities and to fund payments in lieu of property taxes on State lands acquired by the fund. Two-thirds of royalty revenues, less the portion transferred to MSPEF, are added to the accumulated principal until the accumulated principal reaches \$500 million. After that time, all royalties will be deposited into MSPEF and only investment earnings and interest will be available for appropriation in this fund.

MICHIGAN STATE PARKS ENDOWMENT FUND

Established in 1994, this fund is governed by the provisions of Michigan Compiled Laws Section 324.74119 to finance operations, maintenance, and capital improvements at Michigan State parks. The voters approved a constitutional amendment in August 2002 that changed the distribution formula and allows the State Treasurer to invest in equity securities and other types of investments.

The fund was established with a \$40 million transfer from the sale of the Accident Fund of Michigan to provide funds for permanent investment. By statute, up to \$10 million per year of revenues from oil and gas bonuses, rentals, and royalties from State-owned land are deposited into this fund until the Michigan Natural Resources Trust Fund reaches an accumulated principal of \$500 million after which time all revenue previously going to that fund will go to this fund. The fund's investment reserve will be capped at \$800 million. The legislature is limited to appropriating no more than 50% of the amount transferred from the Michigan Natural Resources Trust Fund plus interest and investment earnings. When the fund's reserve reaches \$800 million, only the interest and earnings in excess of the amount needed to maintain the \$800 million principal limit, annually adjusted for inflation, may be expended.

MICHIGAN VETERANS' TRUST FUND

Article 9, Section 37 of the State Constitution created this fund to finance programs to assist veterans and their beneficiaries. A seven-member board of trustees governs the fund. Resources are provided by investment and common cash earnings. Expenditures and transfers out reflect grants to veterans and their widows or dependents, and administrative costs at both the State and local level. The fund is administered within the Department of Military and Veterans Affairs.